

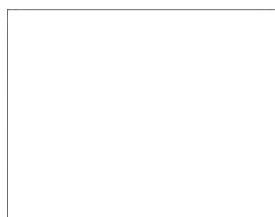
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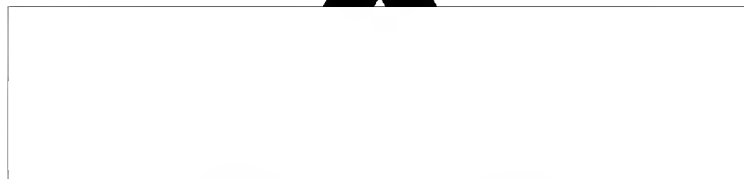
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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday November 16, 1976

CI NIDC 76-268C



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State Dept. review
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National Intelligence Daily Cable for Tuesday November 16, 1976.

The NID Cable is for the purpose of informing senior US officials.

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CHINA: Soviet Gestures

[] The Chinese have publicly and authoritatively rebutted speculation that they might respond positively to recent Soviet gestures toward Peking. 25X1

[] At a banquet last night honoring visiting Central African Republic President Bokassa, Vice Premier Li Hsien-nien lambasted the Soviets in such uncompromising terms that diplomats from the USSR and its East European allies walked out of the hall. The Soviet diplomats departed during Li's attack on "wildly ambitious" and "criminal" Soviet actions in Africa, a popular theme in Chinese propaganda for several months. 25X1

[] Had they stayed longer, the Soviet officials would have heard Li, who is likely to become premier soon, accuse the Soviets of creating "false impressions" about a relaxation in relations between the two countries. Li asserted that Moscow's "arrogant demands" that China change its policy were wishful thinking and said that the Chinese would continue to carry out Chairman Mao's "revolutionary line in foreign affairs," a euphemism for China's opening to the US. 25X1

[] Chinese officials seem to recognize that the USSR has had some success in portraying its initiatives since the death of Mao Tse-tung two months ago as serious efforts to reconcile differences. The Chinese have been asserting privately that these gestures are not genuinely conciliatory, and Li's remarks are almost certainly intended to dispel widespread foreign press speculation regarding the possibility of a thaw in Sino-Soviet relations. 25X1

[] Since Mao's death, Chinese propaganda has remained vociferously anti-Soviet. Given the foreign press speculation about possible relaxation in relations with the Soviets, however, the Chinese apparently believed it was necessary to address the subject of the Soviet overture directly and in a manner designed to put this speculation to rest. 25X1

[] It is likely that Peking does not find much that is new in current Soviet blandishments. In any event, the Chinese 25X1

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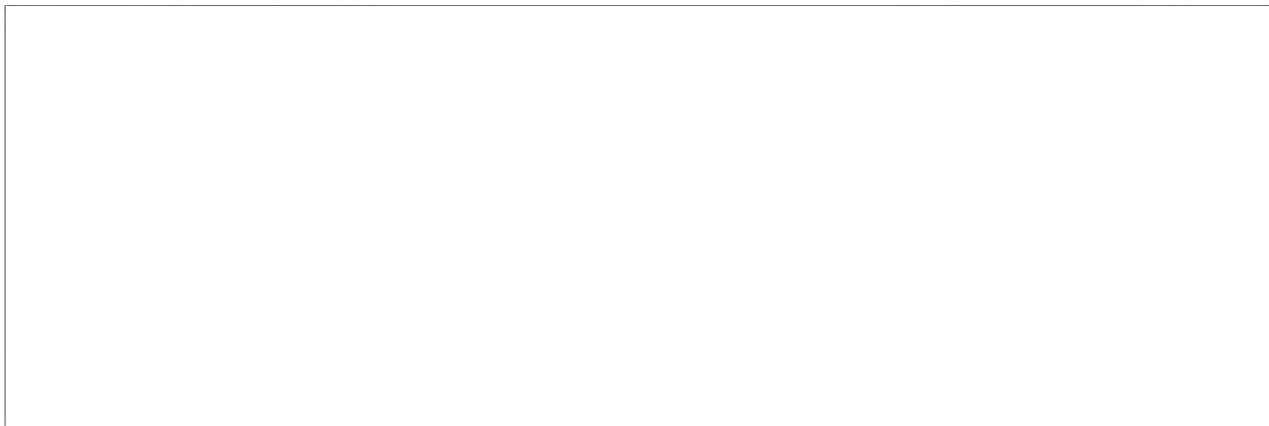
are almost certainly disinclined to consider seriously the sensitive issue of relations with the USSR while they are still busy putting their domestic house in order and before they can assess the attitudes of the new US administration toward China.

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SAUDI ARABIA: Views of King Khalid

[redacted] //Saudi King Khalid's interview last week with Arnaud de Borchgrave of *Newsweek* was intended, according to Saudi Foreign Minister Prince Saud, as a signal to the US president-elect that Saudi Arabia wishes to pursue a close, co-operative relationship with the US.//

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[redacted] //The foreign minister added that his government would like to work closely with the US in finding a Middle East settlement and was thinking in terms of a long-term petroleum agreement and price freeze in return for a Middle East deal. Prince Saud did not expand his remarks but undoubtedly was aware that they would be passed on to US officials.//

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[redacted] //King Khalid adhered to standard Saudi foreign policy positions. According to the Saudi-approved transcript of the interview, he took the line that "peaceful coexistence" between the Arabs and Israel is possible if:

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--Israel withdraws from the occupied Arab territories.

--The legitimate rights of the Palestinian people are recognized.

--The Palestinians are accorded self-determination.//

[redacted] //In an obvious plea for US pressure on Israel, the King said he feared Israel would remain "arrogant" as long as it enjoys the support of "major powers." [redacted]

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LEBANON: Situation Report

[] The predominantly Syrian peace-keeping forces took up most of their preassigned positions in the port and commercial districts of Beirut yesterday without serious incident, occupying the city's radio and television stations and main government buildings.

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[] Other units have moved into the Shuf region as far as Dayr al Qamar and north on the Beirut-Tripoli coastal highway to Amshit, site of the Christian-controlled radio station.

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[] The security force is planning to enter Tripoli next, possibly as early as tomorrow. The deployment of these forces thus far has gone smoothly, but the Lebanese commander al-Haji and his staff expect a resurgence of Palestinian subversion and terrorism in Beirut and elsewhere at some point. President Sarkis reportedly has already established tribunals for Beirut, Tripoli, Sidon, and Zahlah to try cases of political sabotage, kidnaping, and murder.

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[] Palestinian leaders appear to be trying to focus attention once more on Israeli activities in southern Lebanon, presumably to try to make a case for retaining their heavy weapons. Palestinian and leftist press say that there were heavy clashes over the weekend near Rumaysh and Bint Jubayl and a battle at sea between Palestinian and Israeli boats off Sidon.

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[] Fatah extremist Salah Khalaf asserted in a speech in Tyre on Sunday that fedayeen were entitled under the Cairo accords to continue their operations against the Israelis and to bear arms in the south. Another official said yesterday that the Palestinians were studying a plan to counter Israeli activities in southern Lebanon. []

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IRAQ: Problems in the Military

[] Iraq's unsuccessful effort to block Syria's Lebanon policy may be having repercussions in the Iraqi army.

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[REDACTED]

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[REDACTED]

[REDACTED] Four Iraqi non-commissioned officers who had defected to Syria were interviewed on television in Damascus last week. They asserted that Iraqi soldiers were being forced against their will to serve in Lebanon. The defectors' complaint may be no more than a staged Syrian attempt to discredit the Iraqi role in Lebanon, [REDACTED]

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[REDACTED]

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[REDACTED] //Iraq's difficulty in justifying its ineffectual policies toward Lebanon and Syria is complicated by the resurgence of Syrian-instigated Kurdish guerrilla activity in northern Iraq, which has caused the government to send military reinforcements to the area. The regime is trying to suppress information about the increase in Kurdish activity, a political issue that could become more sensitive as news of Iraqi police and military casualties becomes more widely known.//

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[REDACTED] The internal and external distractions that beset the regime are occurring at a time when discussions of transition of power are being stimulated by the recent decline in the health of chronically ill President Bakr. Since late August, Iraqi strongman Saddam Husayn has tried publicly to project an image of dynamic leadership, particularly in the area of the domestic economy. This effort apparently is designed to prepare Iraqis for Bakr's early departure from the political scene. [REDACTED]

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[REDACTED]

[REDACTED]

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SAUDI ARABIA: Western Sahara Dispute

[] As part of Saudi Arabia's increasingly active role in intra-Arab affairs, Crown Prince Fahd has been traveling in Morocco, Mauritania, and Algeria since Thursday in an effort to resolve the Western Sahara dispute.

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[] Fahd has met with King Hassan and Mauritanian President Ould Daddah and arrived in Algeria yesterday to see President Boumediene. Fahd, who is accompanied by Foreign Minister Prince Saud, will remain in the area most of this week. If the discussions are encouraging, the three North African leaders will be invited to Saudi Arabia for an all-out effort to resolve the Western Sahara issue.

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[] Saudi Foreign Ministry officials say that they have undertaken this diplomatic initiative because the success of the efforts of Saudi leaders with respect to Lebanon enables them to redirect their energies to North Africa, and because the Saudis allegedly believe that Algerian President Boumediene is now willing to find some solution.

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[] In any event, we believe the prospects for a negotiated settlement soon are remote. According to the Saudi account, Boumediene recently indicated that a settlement should respect the views of all parties, including the Polisario Front guerrillas, who are seeking independence for the territory. The Moroccans are unlikely to engage in any negotiations that give the Front a significant role.

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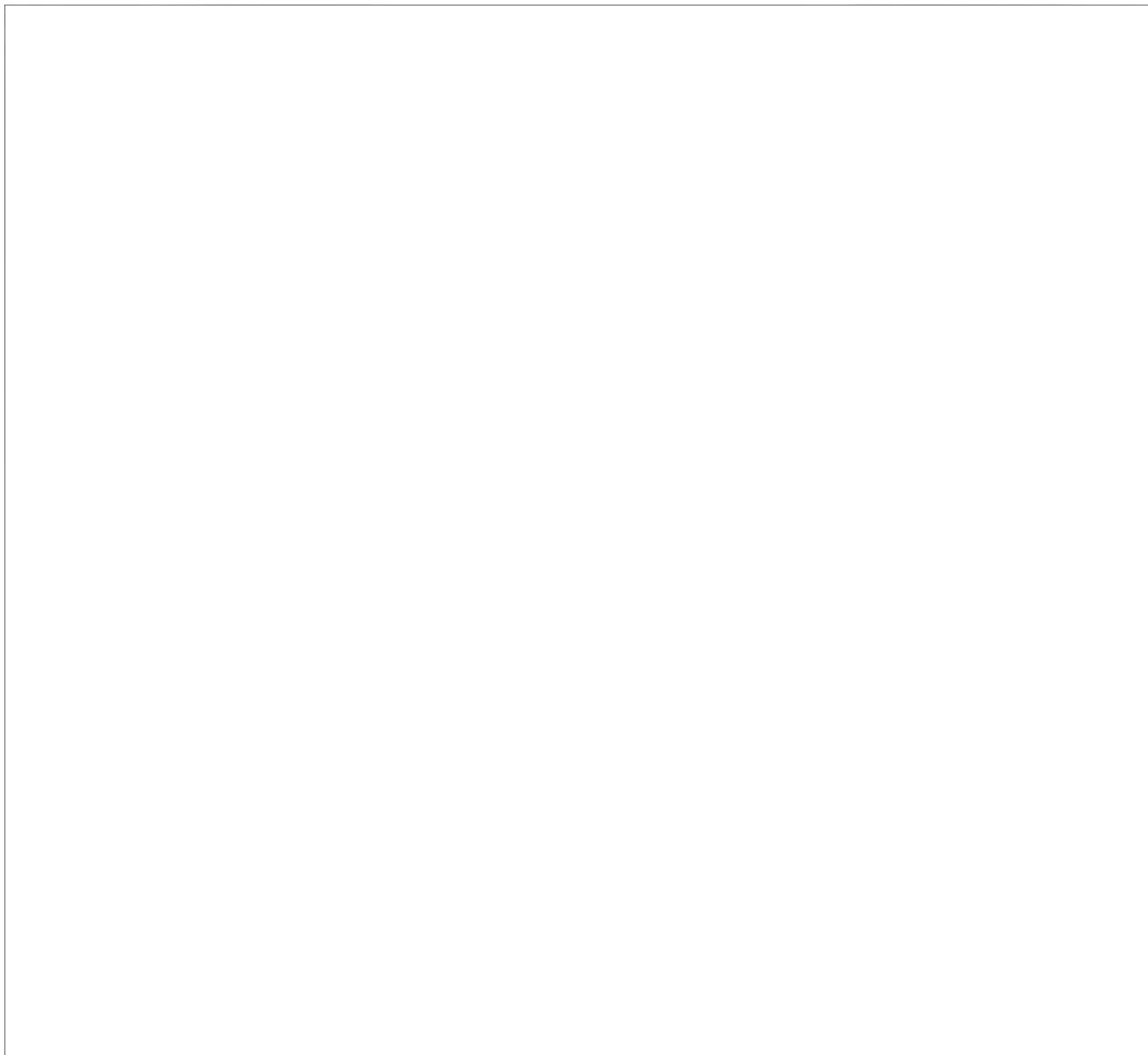
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CHINA: Earthquake

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 The earthquake yesterday in the Tang-shan area of north China, which registered 6.5 on the Richter scale, will

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further complicate the massive reconstruction and relief effort underway in the Tang-shan area since late July. The epicenter of the earthquake was 48 kilometers (30 miles) northwest of Tang-shan.

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[REDACTED]//The earthquake at Tang-shan on July 28, the most severe in the world in this century, in terms of economic damage, registered 8.2 on the Richter scale. Before that quake, the economically important Tang-shan area included some 250 industrial installations, which previously produced more than 10 percent of China's total industrial output.//

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[REDACTED]

[REDACTED] According to the US liaison office in Peking, damage from yesterday's earthquake in the capital area apparently is light, and no American casualties have been reported. The Chinese Foreign Ministry has not yet given diplomatic missions any information about the effects of the earthquake. [REDACTED]

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PORTUGAL: PCP Congress

[] The congress of the Portuguese Communist Party which ended on Sunday confirmed that the party has no intention of softening its pro-Moscow attitude. Soviet representative Ponomarev praised the party's adherence to Moscow and criticized implicitly the French and Italian parties.

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[] Some of the younger members of the newly enlarged Central Committee may favor the independent line of the French and Italian parties, but they are in no position to challenge Portuguese Party leader Cunhal, who was unanimously re-elected secretary general and who dominated the four-day congress.

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[] On the domestic front, Cunhal and most of the other speakers criticized the Socialist minority government for advocating "anti-worker" legislation and for purging leftists from positions of influence, but they nevertheless maintained that the future of democracy in Portugal depends on an accommodation between the two parties.

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[] Cunhal asserted that dissension between the right and left wings of the Socialist Party will benefit the Communists in next month's local elections and will put pressure on Prime Minister Soares to form a coalition. He urged a "popular front" government composed of Socialists, Communists, military officers, and a few independents.

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[] Soares has refused to form a coalition with either the Communists or the parties to the right of the Socialists. If forced to form a broader-based government, however, Soares would probably turn to the centrist Social Democratic Party and possibly the conservative Social Democratic Center rather than to the Communists.

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[] The Communists, aware that they have little chance of entering the government soon, will work in the next few months to broaden their political base. To this end, Cunhal warned party militants in the closing rally to refrain from antagonizing non-party members and to work for a close alliance between the people and the armed forces. []

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FRANCE: Defense Budget

[]//The French National Assembly last week approved increased outlays for defense when it adopted a 1977 defense budget of 60 billion francs--about \$12 billion at current exchange rates. The new budget is an increase of 20 percent over that for 1976; the real increase is about 11 percent after inflation is taken into account.//

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[]//Operating costs have taken a growing amount of the defense budget over the past two years; this year they will absorb about 59 percent. A major factor in this continued rise is the pay raise ordered to alleviate morale problems in the military. This, along with other rising personnel costs, will make it difficult for France to meet its long-term goal of reducing the percentage of the defense budget devoted to operating costs.//

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[]//The Assembly approved the budget after Defense Minister Bourges announced that an additional 1.3 billion francs for procurement of new equipment for conventional forces

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[redacted]

had been added to the 58.4 billion franc budget. Opponents of the proposed budget had earlier criticized it for devoting too large an effort to paying off last year's debts rather than looking ahead to future defense needs.//

[redacted] //The 1.3 billion francs will allow the air force to purchase more Mirage F-1 aircraft, the army to buy French AMX-30 tanks, and the navy to complete construction of a support ship.//

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[redacted] //The nuclear programs did not receive as large a share of the budget as they have in the past, but they retained their favored status, with emphasis on improving the quality of existing forces. Bourges told the Assembly that work will continue on the navy's M-4 submarine launched ballistic missile and the S-3 intermediate range ballistic missile. He also said that by 1980, the S-3 will replace the 18 older S-2 missiles. The S-3 is designed to carry a one-megaton warhead to a range of 2,100 nautical miles.//

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[redacted] //In addition, the current French SSBN program apparently will be limited to five instead of six submarines. The fourth SSBN probably will enter service next year, and construction on the fifth already is underway. France's sixth nuclear submarine evidently will form the first of a new class of attack submarines. [redacted]

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